

Understanding and Recording Priest Compensation

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Introduction

Our instruction will be following the policy issued by the Division of Clergy Personnel. *(Note: The information here is the most up to date that is currently available.)* Our goal is to answer questions received on a regular basis; walk through the guidelines; explain a little bit about the uniqueness of the tax status of priests; as well as gather questions or concerns that you have experienced to be incorporated in future communications.

First and foremost, as most of you know, please ***do not*** make any changes to the ***status*** of priests, seminarians, or deacons, whether it be a transfer or a termination. The only change that should be made by the parish is one directly associated with the payroll (*This would include pay increases or change associated with the annual election of mass stipends or PEA*). If a termination or transfer is necessary for a seminarian, please contact the Vocations Office at 410-547-5426 or smccray@archbalt.org. If a termination or transfer is needed for a priest or deacon, please contact the Office of Clergy Personnel at 410-547-5550 or smccray@archbalt.org.

Attached here are the UKG Instructions on making changes to Clergy Personnel.

Please note that Compensation Guidelines and how our clergy are paid can vary between Diocesan clergy and Religious Order Clergy. We will differentiate between the two as best we can.

Attached here are the UKG instructions on making changes to Religious Order Clergy, when the order is paid and not the individual.

Part I: Priest's Unique Taxation Status

First, we are going to briefly review a few of the tax characteristics that make priest compensation unique. These are excerpts from the 35th Annual Edition 2021 ***Income Taxes for Priests Only*** which are included here to provide ***context*** for our policies. These IRS guidelines have been incorporated into our compensation policy. You do not need to be fully versed in all of the nuances. They are included here to provide background information only.

The Unique Status of Priests

We are discussing diocesan priests who earn a salary and have discretionary control over their own earnings. There are however priests and brothers who are members of religious communities who have taken the vow of poverty, and who receive only sustenance. These priests, under certain circumstances, do not file income tax returns.

Some of the Primary Tax Differences between Priests and Laity

1. Priests are self-employed for Social Security tax purposes.
    - Whether a priest receives a Form W-2, Form 1099-NEC, or "no form" to report his earnings, he is self-employed for purposes of paying Social Security Tax on his ministerial earnings. The self-employed priest must pay the equivalent of both sides of these taxes himself. Whereas a lay employee pays a 7.65% Social Security and Medicare tax rate, with the parish matching that 7.65%, a priest pays a higher self-employment rate with no parish matching.

2. Priests may receive tax-free housing.
   Tax-free housing usually takes the form of a rectory provided for a priest; however, it may be in the form of a cash allowance. [Note: Although the value of housing is a tax-free benefit available to priests, it is not tax-free for purposes of paying Social Security tax. When computing Self-employment tax, a priest must add the value of his room and board to his other earnings.]
3. Priests are exempt from payroll withholding.
   - Though Congress exempted clergy from payroll tax withholding, Congress did not exempt clergy from the pay-as-you-go system of paying income taxes. Priests are not exempt from quarterly estimated payments. Failure to pay quarterly estimated payments results in interest and penalty assessments.
   - It is the priest who is exempt from payroll tax withholding, not the parish in general.
4. Priests who receive Form W-2 to report earnings may, at their option, request payroll tax withholding. ***(Priest has the option to decide whether or not to withhold taxes; if he does not, he must be diligent in filing his quarterly estimated return).***
   a. The rules of the IRS classify most priests as Dual Status Taxpayers. (Self-employed for Social Security Tax purposes but employees for income tax purposes)
   - Priests are self-employed for Social Security Tax purposes. There should be no question here. The IRS, the Social Security Administration, and priests all agree on this point.
   - The IRS is not saying that priests are employees. The IRS instead has applied a 7-point test to determine the manner in which an individual should report his income. More recently, the IRS also devised a three-category approach. Using either the 7-point test or the three three-category approach, most priests assigned to parishes, agencies, high schools, etc. will have more characteristics of an employee than of an independent contractor. Therefore, the IRS will expect to see Form W-2 to report the earnings of a priest.

<u>INCOME - What constitutes the income of a Catholic priest?</u>

The types of income common to priests fall into these categories as follows:

- Income taxable for both Federal income tax and Social Security tax purposes (earnings):
  - Salary (including salary supplements – see below for definition of salary supplements)
  - Allowances (paid without required documentation) – Portion of professional expenses taken as compensation in lieu of reimbursement
  - Stole fees and honoraria
  - Mass stipends and fee
  - Professional fee (see Below – not something a parish would need to account for)
  - Non ministry-related earnings (see Below – not something a parish would need to account for)
- Income taxable for Social Security purposes, but not subject to Federal income tax:
  - Value of room and board
- Income taxable for Federal income tax purposes, but not subject to Social Security tax:
  - Pension benefits (exclusive of housing portion)
  - Investment and passive income
  - Retirement savings distributions [IRA, 403(b), 401(k)] - depends on total income
  - Social Security Benefits - depends on total income and calculation

- Tax-free income:
  - Gifts (but the IRS takes a narrow view of what constitutes a "gift")
  - Reimbursements (when accompanied by proper documentation)
  - Forgiven Payroll Protection Program Loans (PPP Loans)

Salary, including salary supplements

In addition to the base salary, many compensation programs call for additional pay for a variety of purposes. For example, a compensation plan may pay an additional sum to help priests pay for Social Security tax. Regardless of the name, additional salary supplements are taxable.

Professional Expense Allowances (PEA)

If the priest elects to take all or part of his PEA without the submission of proof that he actually spent the allowance as intended, the allowance becomes taxable salary. If the priest elects to take all or part of his PEA as reimbursement upon submission of supporting documentation, that portion of the PEA is NOT taxable.

Stole Fees and Honoraria

Stole Fees and Honoraria, for tax purposes, represent the amounts given to a priest for the performance of a sacerdotal function or other services performed in his ministry. Typical examples include weddings, funerals, baptisms, and speaking engagements.

The IRS does not classify these payments as tax-free "gifts because the payment was motivated-among other things-by the rendering of a service. It does not matter that the priest requires no payment for the service, nor does it matter that some people give nothing under similar circumstances. *If priests receive stole fees directly, parishes will have no amounts to report to the IRS. If priests remit stole fees to the parish, and receive back a portion, include the stole fee as additional salary on Form W-2, Box 1 (and Box 16 and Box 18 If applicable).*

Mass Stipends and Mass Fees *(Generally referred to as Extra Clergy Fees at most Parishes)*

A "Mass Stipend" refers to the amount offered by a parishioner for a Mass to be said for the repose of the soul of a departed loved one, or other intention of the donor. When a payment is received by a priest for saying a Mass, it is the result of a performance of service. Therefore, a Mass Stipend is earnings, subject to Federal income tax and Social Security tax.

A "Mass Fee" refers to the amount paid to a priest by a parish for celebrating Mass, hearing confessions, or other weekend services rendered. (Extra Clergy Fees)

Include amounts paid from parish funds for Mass stipends and Mass fees as additional salary on Form W-2, Box I (and Box 16 and Box 18 if applicable). However, if the fee is paid to a non-employee (visiting priest) then you will need to issue a 1099 –NEC if the annual total exceeds $600)

Professional Fees

Professional income is earned when a priest is paid to perform services outside his normally assigned duties. *These would be amounts paid by entities separate and distinct from the parish. The priest is therefore responsible for accounting for these payments for his taxes, not the parish.*

Common examples include Canon Law specialists, psychologists, licensed counselors, and the like. These priests typically have a regular salary from their parishes, but they are called upon from time to time for their expertise, and they are paid additional income for this work.

This income, net of any direct expenses incurred to derive the income, constitutes earnings subject to both income tax and Social Security tax.

Non Ministry-related Earnings

Non ministry-related earnings refers to earnings, which are the result of non-ministry work.

A common example of non-ministry-related earnings is a priest who teaches at a local private college. Although he may personally consider his teaching part of his ministry, the college will pay him as they would a lay teacher, or they will pay him as a contract employee, issuing a 1099NEC.

Gifts

The Good News is Gifts are Tax-free. The Bad News is the IRS ***does not always agree*** with a Priest's Definition of a Gift.

"Donative Intent" is the key in determining whether a payment is classified as a tax-free gift, or as taxable. Tax-free Gifts are motivated by "love and affection," without regard to past, present, or future services rendered.

Gifts, then, include: Birthday, anniversary, going-away, get-well-soon presents. A gift is not tax deductible by the giver. ***Gifts paid from parish funds to a priest are taxable to the priest.*** Thus, if the Parish Finance Council decides that the parish will give the pastor an anniversary gift, the parish must classify that gift as taxable income and include it as compensation on Form W-2. If the parish collects funds and then pays it out to the priest, it is taxable – even if collected for the sole purpose of providing one gift.

Taxable gifts. Taxable compensation is motivated by the performance of a service. It does not matter if a priest does not specify or request an amount-and "leaves it up to the donor." If a gift is the result of service performed, the IRS will classify the payment as taxable services rendered. The IRS *Minister Audit Techniques Guide* states:

> *"A minister ... may also receive bonuses or 'special gifts. In addition, the minister may receive fees paid directly from parishioners for performing weddings, funerals, baptisms, and masses. All are includible in gross income."*

Note: if the gift is given directly to the priest by the donor, it is his responsibility to track for tax purposes and not the responsibility of the parish

Taxation for "Foreign Priests"

Sometimes priests ordained in other countries serve dioceses in the United States. This may be a temporary arrangement or an intended permanent arrangement. **Please consult Clergy Personnel and Human resources** with regards to questions about any payment to foreign priests, including honoraria. There are several factors that must be taken into consideration prior to payment, such as their current immigration status.

PART II – AOB Policy on the Compensation for Priests

We will now walk through the ***AOB Policy – Compensation for Priests*** which can be found on the AOB website here. This primarily applies to Diocesan priests and not religious order priests, which is discussed in Part III.

AOB Policy 1103 - Compensation for Priests

1103.1 General Principles

- *Annual List:* The salary and supplementary benefits of pastors and associate pastors are determined annually by the Archbishop. ***This is included in the Annual Compensation Guidelines that is issued by the Department of Human Resources.***
    - *Special Ministries:* Pastors, Administrators, and those priests in Special Ministries are compensated at the level of a Pastor's salary.
    - *Associate Pastors:* An associate pastor is compensated in accordance with the Associate Pastor's salary guideline.
    - *Change in Status:* Once a priest receives a 'pastor's salary' he continues to receive such, regardless of his future assignments.

1103.2 Salary

The base salary figures of the Priest Salary Schedule are reviewed and updated annually by the Compensation Board of the Priestly Life and Ministry Board. *Annual Salary adjustments made by the parish should follow these guidelines. The UKG guidelines for adjusting clergy salaries can be found here. The Earnings Code for clergy Pay is "CLRGY."* ***Note: While diocesan priests can receive bonuses when they are paid to the entire staff, they cannot be excessive and should be commensurate with what is paid to the other staff members.***

1103.3 Mass Stipends and Stole Fees

Annual Election

In addition to his base salary, each priest has the option of:

(1) Retaining all his Mass stipends; or

(2) Turning all Mass stipends into the parish and then receiving a set additional amount per year as salary, as indicated in the annual compensation package. This addition to his salary is input into UKG using the earnings code "MASS."

This election is to be made annually and in writing.

All Offerings Must Be Counted:

- For those priests who choose to retain their Mass stipends (option 1), the number of Mass intentions for which that priest has said Mass should be counted and paid and reported ***to the***

priest (at the set rate of $10 per Mass) ***so taxes may be paid to the appropriate federal and state agency.***

- *If the priest who is receiving the stipends is an employee, the stipends must be included in his payroll using the earnings code "MASS."*
- *If the priest is a visiting priest, you must have a W-9 on file and the stipends, which are paid through accounts payable and generally included in the remuneration or stipend given for sacramental assistance, should be reported annually using a Form 1099 NEC. Mass stipends paid to a clergy who is an employee are included in Account 5410.01 Gross Salary – Regular Clergy. The stipends paid to visiting priests would be included in Account 5230 Extra Clergy Fees Paid.)*

Generally

It is earnestly recommended to priests that they celebrate Mass for the intention of the faithful, especially the needy, even if they have not received an offering. (Canon 945, §1).

- It is the policy of the Archdiocese that the priests celebrate Mass for the intentions of the faithful, in accord with the laws of the Church.
- Under no circumstance may a priest or deacon or parish demand an explicit offering in order that the celebration of the sacrament takes place.

As such, the following criteria are to be noted.

- **Obligation of the Priest:** A priest should accept no more intentions than he is able to fulfill ***within the course of the coming year*** (canon 953). A priest should be aware of this possible limitation on his own ability to offer Masses accordingly.
- If he accepts an offering for an intention, he is obligated to fulfill that intention, even if the stipend is lost (canon 949).
- Under certain conditions, such as the expressed desire of the donor, a parish may be permitted to accept intentions for longer than a one-year period of celebration (canon 954).
- **Too Many Intentions:** Any and all intentions that are not able to be satisfied in the course of the upcoming year are to be sent to the office of the Moderator of the Curia to be distributed among parishes in the Archdiocese and other places to insure a timely offering of the requested Masses (Canon 956) or, upon written permission of the Archbishop, use the stipend for a particular charitable use (Canon 951).

Obligations of a Pastor

- **Pro Popolo Mass:** On Sundays and Holy Days of Obligation, the pastor of a parish is responsible for offering a Mass for the people of his parish (pro popolo). If he has more than one parish community or additional missions, he may say one Mass for all. If he does not offer the Mass on that day, he should do so at the earliest possible opportunity. If he is unable to personally offer the Mass, he is to see that another priest does so (Canon 534, §1- §2).
  (This means that one Mass every weekend cannot be included in the Masses for which someone can request an intention…it must be reserved to be said for the intention of the parishioners. However you track mass intentions at your parish, you must make note of this so that an additional intention is not accepted.)

- **Limit on Stipends:** A priest may accept one stipend a day for Masses offered. ***If he celebrates more than one Mass and there are stipended intentions for the other Masses, the stipend does not go to the priest.*** *This is the responsibility of each priest to track. Often if a priest offers more than one Mass and receives more than one stipend, he will donate one of the stipends.*
- ***All bundled stipends for All Souls, Mother' Day and Fathers' Day or other Novenas must stay in the parish and cannot be paid out to a priest. This is in accordance with the Decree issued by the Dicastery for the Clergy on April 13, 2025 and there are no exceptions. This decree stipulates that Priests are no longer permitted to receive more than one stipend for a single mass. This is true even if the priest does not elect to receive the stipends as compensation. Mass stipends received by the parish should be recorded in account 4220.***

Funds Received for Masses or Stole Fees

- **Mass Offering:** In the territory of the Archdiocese, the presumed amount to be applied to each Mass is $10.00 (Canon 952).
- **Donation for Unknown Number of Masses:** If money is offered for the application of Masses without an indication of the number of Masses to be celebrated, the number is to be computed on the basis of the offering established in the place where the dweller resides, unless the intention of the donor is presumed legitimately to have been different (canon 950). In the Archdiocese of Baltimore, the amount per Mass would be $10.00. (For example, a parishioner gives a donation of $100 for mass intentions but does not express a specific number of masses to be said, the parish would presume that 10 Masses are being requested.) This does not apply if it is an unrealistic amount ($1,000 or more) or Gregorian Mass Intention (in which case you should contact the regional vicar).
- **Stole Fees:** All stole fees are presumed to go to the parish fund, unless designated otherwise (Canons 531and 551). This does not include Mass stipends (as defined earlier), but only fees given for marriages, funerals, Baptisms, blessings, or any other fee extended for sacraments or blessings. Note: If an overall fee for a Funeral or Wedding is collected and part of the fee is a stipend for the priest, the stipend is paid to the priest and is not maintained by the parish. The amount paid would be included in payroll if the priest is an employee of the church or included in the 1099 NEC if he is visiting.
- **Gifts for Clergy:** Individuals may also give personal gifts to the cleric responsible for the service. If the intention of the donor is unclear, the recipient may clarify if the gift is to the priest or to the parish, otherwise, the presumption is the stole fee is a gift that belongs to the parish.

1103.4 Professional Expense Allowance

Each priest is entitled to an amount of funds, determined annually as part of the compensation package, which he may seek as reimbursement for incurring expenses related to the exercise of his priestly ministry.

Annually, each priest may elect to receive a portion or all of his PEA as a component of his pay. This prevents him from tracking his expenses and submitting for reimbursement. However, while reimbursement of expenses is not taxable, the inclusion of the PEA in payroll is taxable. The portion that he elects to have included in his payroll is entered using the Earnings Code "PEA". This portion should be recorded in ***Account 5410.01 Gross Salary – Regular Clergy.*** *In the event that he elects to submit for reimbursement, the payments are made through Accounts Payable and are recorded in Account 5413*

Clergy Professional Expenses. ***Note: Once this election is made for the year, it is binding until the beginning of the next fiscal year. It cannot be changed mid-year. Unused PEA may not be paid out as salary at the end of the fiscal year.*** *If he reaches the beginning of June and has not used all of his PEA, he should be encouraged to consider expenses he may not have been reimbursed for that could be associated with ministry - or use the remainder for purchases such as vestments, books/periodicals, business meals, computers, smart phones, etc. If he is struggling to identify what may qualify, he may also reach out to Fr. Proffitt in the Division of Clergy Personnel.*

Included in the compensation guidelines is a notation regarding professional versus business expenses as follows: Priests are encouraged to differentiate professional expenses from business related expenses when they request reimbursements. Business expenses are incurred when the priest is doing something which is directly included in his job responsibilities with the parish. For example, mileage incurred for area clergy meetings, hospital or communion calls or required attendance at annual convocation (Note: you can reimburse for mileage or gas, but not both). Business expenses would also include meal costs if it was incurred for a meeting directly relating to parish business or to thank council members. In the case of meals, the business purpose should be stated on the reimbursement request. Business expenses would ***not*** include any vestments or clerical attire that will not remain the property of the parish. Business Expenses should be recorded in Account 5190 – Other Expense (Administration)

When parish budgets are developed, funds should be allotted for the purpose of business expenses. All requests for reimbursement must be submitted with appropriate documentation *(including original receipt, business purpose and individuals in attendance)*. Business expenses are recorded in the general Ledger account that is most clearly aligned with the area for which the expense was incurred. Please reach out to your Regional Controller if you have questions about which account to use.

Professional Expenses are costs incurred that are professional in nature but outside of the priest's direct job description. An example of these types of costs would be mileage relating to work done for another parish, for a retreat or conference, or for a priest council meeting. Professional meal expenses would be meals associated with priest council meetings or meals with other priest friends (even though they may discuss some parish business. The distinction between Professional and Business expenses is established to assure that all priests have sufficient funds for their professional education and development.

Other examples of Professional expenses might include, but are not limited to:

- Automobile mileage for ministry not related to the Parish
- Education expenses
- Clerical clothing
- Vestments (if the vestments are the property of the parish to remain there after the priest leaves, the vestments are liturgical expense)
- Priest Support Group
- Other legitimate professional expenses incurred in the exercise of his ministry.

Documentation Required: Each priest ***must provide written documentation*** which supports his reimbursement request to the parish or institution he serves.

- The parish or institution is responsible for retaining this documentation as part of its financial records in accordance with Archdiocesan policy regarding temporal goods. The reimbursement request is ***to take place on a monthly basis***. *Note: It is important to encourage priests to submit*

on a monthly basis to ensure that documentation is maintained and to allow them the ability to ensure that the full amount of the allowance is used prior to year-end.

1103.5 Supplementary Benefits

Every priest receives the following additional compensation benefits:

- **automobile insurance premium** - *(this is paid on the Property and Casualty bill and will be grossed up on his payroll and then recorded as a deduction. This is done so that he is taxed on the benefit as it is considered compensation, but doesn't actually get paid for it since the payment is to the insurance program. The payment of the car insurance for the priest should be recorded in Account 5411 Clergy Personnel Benefits. Car insurance for parish vehicles are recorded in Account 5060 and the remainder of the Risk Insurance bill is recorded in Account 5040);*
- **health care plan, including dental and vision care** - *This is paid on the health and benefit bill and the expenses should be recorded in Account 5411 Clergy Personnel Benefits);*
- **pension premium** - *This is paid on the health and benefit bill and the expenses should be recorded in Account 5411 Clergy Personnel Benefits);*
- **short-term disability insurance premium** - *This is paid on the health and benefit bill and the expenses should be recorded in Account 5411 Clergy Personnel Benefits);*
- **group life insurance premium** - *This is paid on the health and benefit bill and the expenses should be recorded in Account 5411 Clergy Personnel Benefits);*
- ***FICA contribution of 7.65% of taxable income received from the parish**. This amount is calculated in accordance with the Annual Compensation Guidelines. The Calculation is based on the Salary per scale, Mass Stipend if elected, taxable value of car insurance **(depending on where the priest lives)**, and the value of Housing. (Note: PEA, if elected to be included in salary, is NOT included in the FICA Allowance calculation as is stated on the Annual Salary Authorization. The FICA assessed on the PEA is the responsibility of the priest). The compensation guidelines state the Value of Housing on Schedule SE. This is referring to the actual self-employment tax forms that the priest files and uses for his estimated quarterly taxes. Most priests will use the suggested amount of $13,400 as stated in the compensation guidelines which is what you would use to determine the FICA allowance. A Sample calculation worksheet that you can use to calculate the FICA allowance as well as bi-weekly pay amounts is attached here. The FICA allowance is included in clergy pay using the **Earnings Code "FICAB."** It is recorded in **Account 5410.01 Gross Salary – Regular Clergy.** Note: No Social Security or Medicare should be automatically withheld in UKG. If a priest would like monies withheld to help satisfy his estimated payments, he must complete a W-4 and request an additional amount withheld. The additional amount will be withheld and remitted on his behalf.*
- ***Additional Benefits for Diocesan Priests** (including fund for extraordinary health needs, Fund for Clergy Formation and Fund for Support of retired and infirmed priests) , is paid on the health and benefit bill and the expenses should be recorded in Account 5411 Clergy Personnel Benefits);*

Sections 1103.6 through 1103.8.3 are related to specific circumstances. If you need further guidance on these sections, please contact the Office of Clergy Personnel.

1103.6 Room and Board

1103.7 Compensation of Unassigned Priests

- **1103.7.1 Compensation for Priests on an Involuntary Leave of Absence Beginning Level (Step 1)**
- **1103.7.2 Unassigned Priests**
- **1103.7.3 Compensation for Priests on a Voluntary Leave of Absence**

1103.8 Retired Priests

- **1103.8.1 Age of Retirement**
- **1103.8.2 Priest Pension Plan**
- **1103.8.3 Participation in Social Security System**

In addition to the above guidelines, the AOB provides Sacramental Assistance Compensation Guidelines as follows:

In accordance with the recommendations of the Priestly Life and Ministry Board, minimum guidelines for the remuneration of priests for sacramental work in the Archdiocese of Baltimore are as follows:

- **Weekend or Holy Day Masses** $75.00 for each Mass
- **Weekday Masses** $50.00 each (minimum)
- **Sacrament of Reconciliation**
  Or Penance service $75.00

Mileage: There is a further recommendation that transportation costs of $0.62.5 per mile (2022 IRS rate, valid through 12/31/22), if there is a significant amount of travel provided with the service (for example, greater than 50 miles)

Budgeting: Any parish that would have difficulty paying these fees should address this situation with the Office of Clergy Personnel. The Priestly Life and Ministry Board wishes to remind pastors that costs for extra clergy help should be anticipated in the parish budget.

Leave

Clergy serving in a parish are eligible to receive paid time off for:

- Vacation (3 weeks)
- 5 days leave post-Christmas
- 5 days leave post Easter
- 2 Weeks for Professional Development/Continuing Education
- 1 week for annual retreat
- Holidays

PART III - Stipend and Leave Guidelines for Religious Men and Women

There are priests and brothers who are members of religious communities who have taken the vow of poverty, and who receive only sustenance from their order. These priests, under certain circumstances, do not file income tax returns. In turn, compensation to these individuals ***are made payable to the order and not the individual.*** Prior to determining compensation for religious men and women, we must first determine what principals to which that specific community adheres and whether or not a contract is in place with the order. All questions regarding the compensation of Religious Men and Women should be directed to The Office of Consecrated Life.

Compensation/Stipend

Compensation for **Religious serving in parish ministry** is typically negotiated with the religious community. A contract or memorandum of understanding should be in writing documenting the agreed upon compensation. This should include the amount of salary and the amount of reimbursement for benefits, as well as where the compensation should be paid. The document should be signed by the Order Superior as well and either the pastor or the Chancery, in cases where the individual is the pastor.

There are various models. The following are three examples:

- A stipend comparable to the stipend of Religious serving in Catholic schools. A car/car allowance may be included only if a car is required to perform the duties of the position.
- 100% equivalent lay salary for a comparable position. (Car and housing allowance are not included).
- A package negotiated between the pastor and the religious community that reflects the compensation philosophy of the religious community and the ability of the parish to pay. The package **may** include:
    - Negotiated stipend
    - Car, car allowance or mileage reimbursement
    - Housing or housing allowance.
    - Retirement Benefit
    - FICA Allowance
    - Medical Allowance

The religious stipend, retirement benefit, FICA allowance, car and / or housing allowances, and medical allowances are paid to the religious institute. ***The name of the institute is noted as the payee on all compensation checks.*** The name of the individual member assigned to the parish or school may appear in the memo line of the check.

The stipends paid to Religious men and women are recorded in QuickBooks according to the role that they play within the parish. For example, if a religious order priest is the pastor or associate pastor, his compensation (including the amount for benefit reimbursements) would be recorded in 5410.01 Gross Salary – Regular Clergy. If a religious order brother or sister is employed by the parish, their compensation would be recorded according to their role in the parish. For example, if they were the Director of Religious Education, it would be recorded in 5430.07 – Gross Salary Programs. It is recommended that a detailed schedule which delineates each element of the total compensation be provided. This will allow you to record the total compensation in a way that is comparable to how we record diocesan priest compensation. For example, salaries would be recorded in the appropriate salary account as noted above. Medical benefits would be recorded in account 5415 – Benefits Paid to

Religious Order (unless they are one of the exceptions that are included in the diocesan benefits, in which case you would just record in account 5530 – Lay Medical). If there is a stipend for Retirement, it would be recorded in 5412 – Clergy Retirement if a priest or 5415 – Benefits paid to Religious Order if it is a brother or sister). Please let us know if you have questions about how to best record these contracts as they can be different based on each specific religious order.

Most compensation for religious men and women is paid to the respective order, but as with all elements of the compensation packages with Religious Orders, they are negotiated on a case-by-case basis. For example, Conventional Franciscans have insurance with AOB, while most other orders are not included in the Archdiocesan Health Plan. ***Note: there are many different religious orders, including some, who identify as a religious order but are "non-canonical". Because of this, please make sure that you always involve Human resources and The Office of Consecrated Life in determining compensation.***

Leave

Religious serving in a parish is eligible to receive paid time off for:

- Annual Leave
- Vacation
- Holidays
- Professional Development
- Community Service

Reasonable paid leave should be provided for absences due to illness. Religious people absent for extended periods of time due to illness are eligible for **Short-Term Disability** benefits after the first month of medical leave. The parish or school continues to pay the Religious for the first month of medical leave. The Division of Employee Benefits pays any applicable Short-term Disability benefits directly to the community.

PART IV - Seminarian Stipends

Seminarians are assigned to work at parishes at different times during their formation. With each assignment, there is a unique pay structure. Until they are ordained a priest, seminarians' compensation is taxable as a lay person, except in the case of the stipend for summer assignments (see below).

Summer Assignment

Initially, the seminarians are assigned to parishes for the summer. When this occurs, a stipend is paid to the seminarian. A portion of the stipend is paid by the Archdiocese and a portion is paid by the parish. The AOB will issue a lump sum check to the parish at the beginning of the seminarian's placement that will include their portion of the total stipend. The portion received from the Archdiocese is recorded as Grant Income in Account 4810 – Archdiocesan Grant and Subsidy Income. The parish then pays the full amount to the seminarian in one lump sum or, however, is mutually agreed upon.

No Form 1099NEC is necessary. The reason for this is that seminarians are not required to perform services in order to receive the stipend. They may study abroad or at a parish, receiving the stipend. The stipend is to assist with tuition, fees, supplies, and equipment and can be excluded from income as a "qualified scholarship." There are no benefits associated with a summer seminarian. The amount of the stipend paid is recorded in Account 5410.02 - even though it is not processed through payroll.

Pastoral Year Placement

The second type of assignment is the pastoral year placement. In this instance, the seminarian is assigned to a parish for 14 months. The vocation office will issue a salary and benefit schedule detailing the amount to be paid. It will include the per month cost, the total for the assignment, the Archdiocesan portion and the parish portion. The amount to be paid includes the Living Expense salary, a car allowance salary, and medical /dental benefits. The amount for 100% of the Living expenses and car allowance are paid to the seminarian through the UKG payroll system bi-weekly and are taxed accordingly. The Vocation office will add the seminarian to the parish's monthly benefits bill for the period of time he is assigned to the parish and transfer them in UKG to the parish for payroll processing. The AOB will issue a lump sum check to the parish at the beginning of the seminarian's placement that will include their portion of both the salary and the benefits.

The salary is recorded in Account 5410.02 and the Medical benefits (health and dental) are recorded in 5530 - Lay Medical. The portion received from the Archdiocese is recorded as Grant Income in account 4810 - Archdiocesan Grant and Subsidy income.

Transitional Diaconate Placement

The third type of assignment is the Transitional Diaconate Placement. In this instance, the seminarian is assigned to a parish for 14 months. The vocation office will issue a salary and benefit schedule detailing the amount to be paid. It will include the per month cost, the total for the assignment, the Archdiocesan portion and the parish portion. The amount to be paid includes the Living Expense salary, and medical/dental benefits. The amount for 100% of the Living expenses is paid to the seminarian through the UKG payroll system bi-weekly and is taxed accordingly. The Vocation office will add the seminarian to the parish's monthly benefits bill for the period of time he is assigned to the parish. The AOB will issue

a lump sum check to the parish at the beginning of the seminarian's placement that will include their portion of both the salary and the benefits.

The salary is recorded in account 5410.02 and the benefits are recorded in 5411. The portion received from the Archdiocese is recorded as Grant Income in account 4810 - Archdiocesan Grant and Subsidy income.

If you have any questions about how to add or adjust a seminarian pay, please contact the Vocations Office at 410-547-5426 or smccray@archbalt.org